



Technology makes it possible...
People make it happen

INTERIM RESULTS

For the six months ended 31 January 2019

April 16th 2019



AGENDA

Strategic and
operational
overview

Stephen van Coller
Group CEO

Financial
overview

Megan Pydigadu
Group CFO

Looking
forward

Stephen van Coller
Group CEO





EOH

Technology makes it possible...
People make it happen

STRATEGIC AND OPERATIONAL OVERVIEW

Stephen van Coller
Group CEO

We remain an ICT leader
in SA and beyond...

... entrenched in
our society...

...employing the
best tech minds

Continue to deliver right-first-time to our clients

Cleaning up the past

Building EOH future

Aligning financials

***TOUGH TIMES DON'T LAST
TOUGH PEOPLE DO***



KEY FEATURES

Completed strategic review

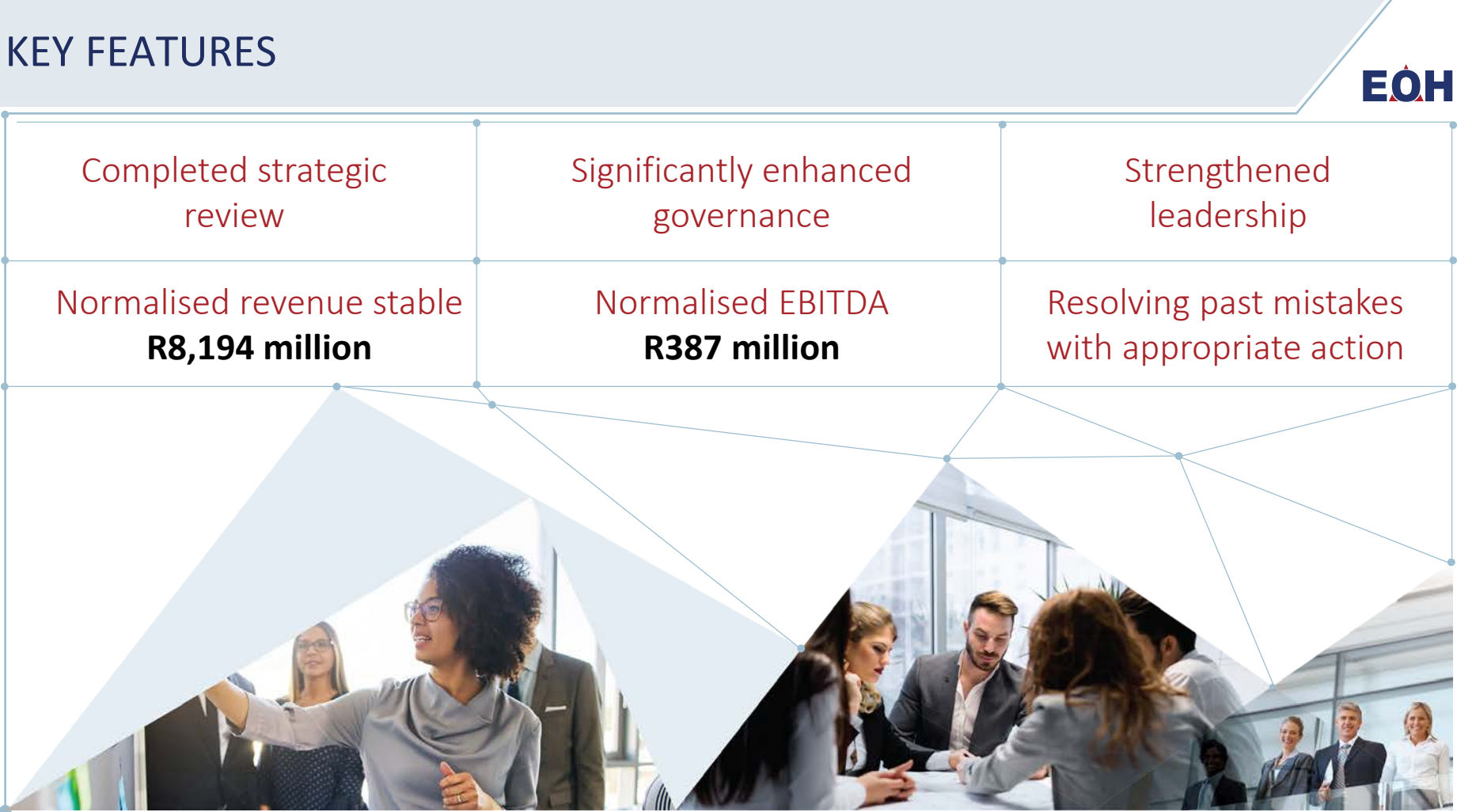
Significantly enhanced governance

Strengthened leadership

Normalised revenue stable
R8,194 million

Normalised EBITDA
R387 million

Resolving past mistakes with appropriate action





Clients



Reorganisation



People



Governance

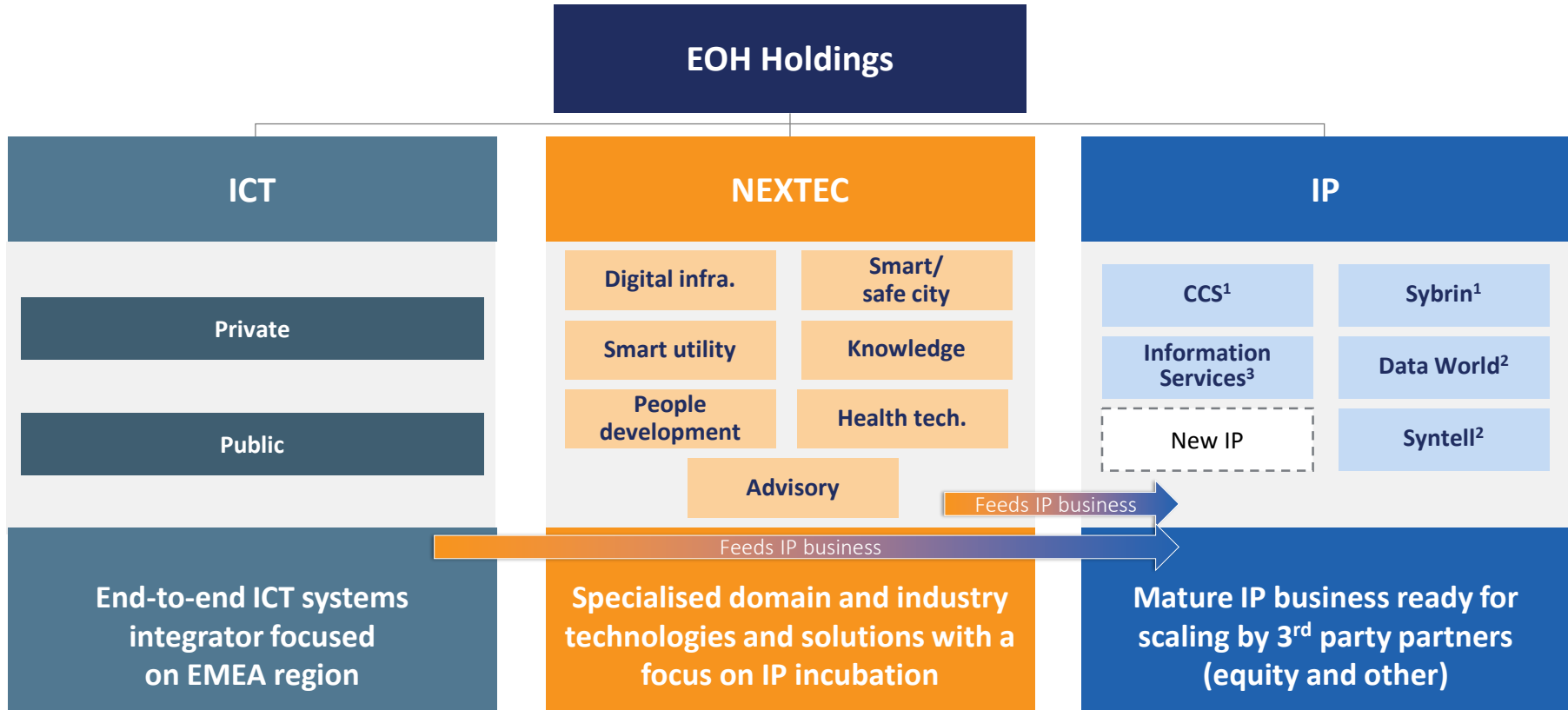


Capital structure



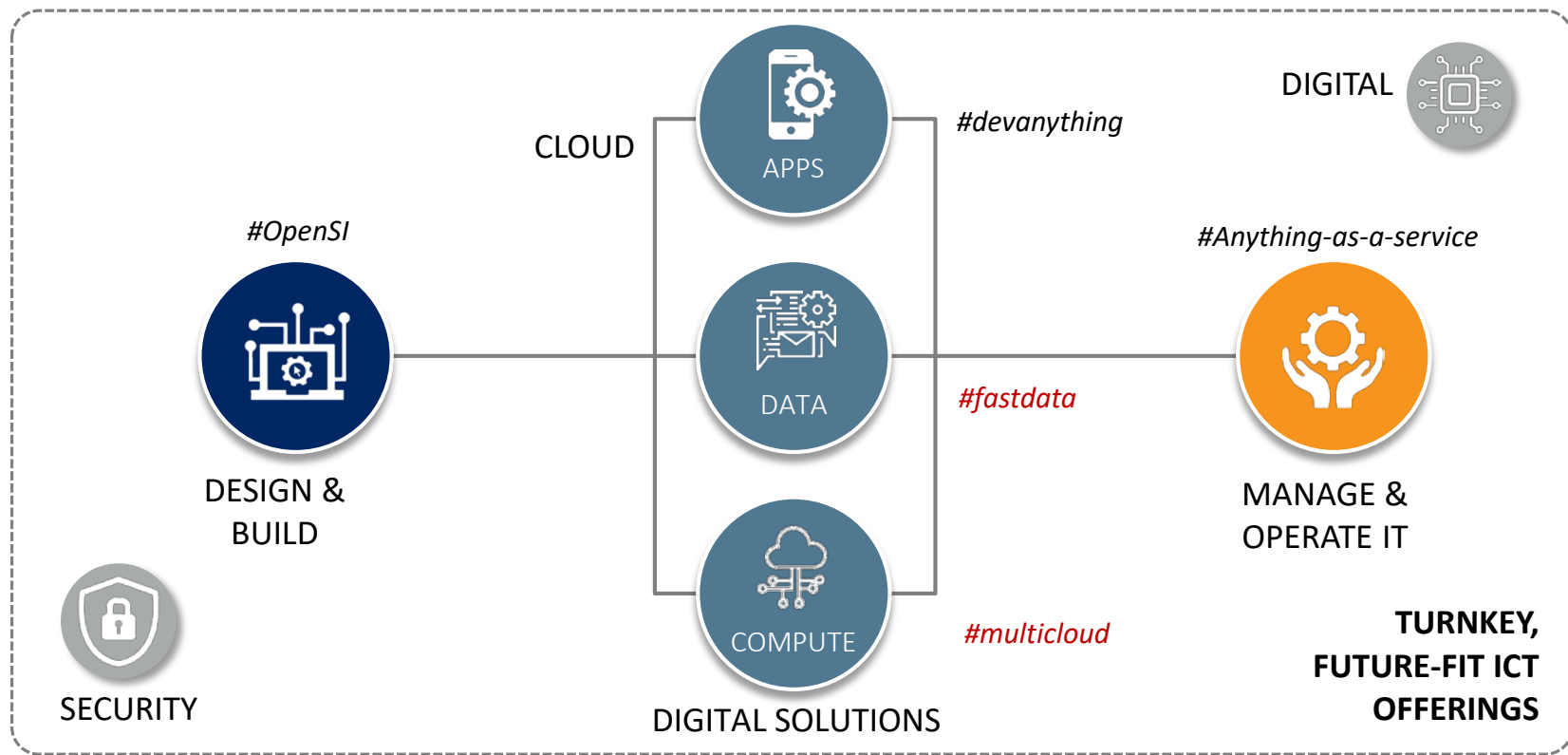
Partners

EVOLVING OPERATING STRUCTURE



1 Included in Nextec and IP segment reporting; 2 Included in Nextec; 3 Included in ICT

CLIENT-CENTRIC, SOLUTIONS-LEAD ICT STRATEGY



HY 2019 revenue¹: R4 572 million

HY 2019 EBITDA¹: 7%

¹ Based on operating segment analysis

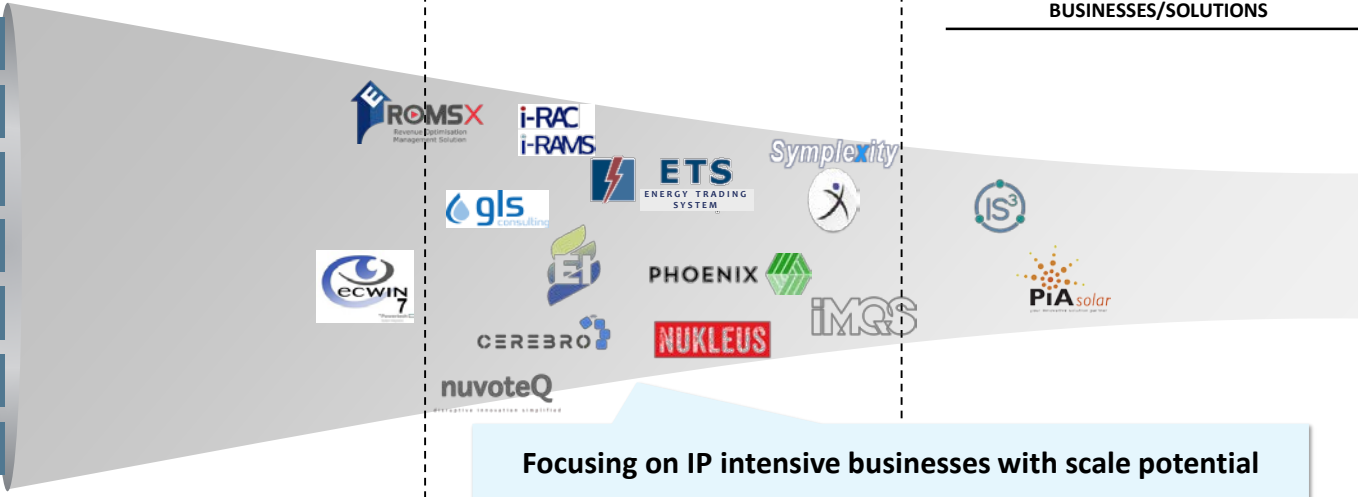
NEXTEC DOMAIN SPECIALISATION AND IP INCUBATION



Growth communities

- Digital industries
- Smart/ safe cities
- Smart utilities
- Knowledge
- People development
- Health tech.
- Advisory

NON-EXHAUSTIVE: IP INTENSIVE NEXTEC BUSINESSES/SOLUTIONS



Portfolio management

Platform - aaS

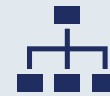
Go-to-market co-ordination

HY 2019 revenue¹: R3 622 million

HY 2019 EBITDA¹: 3%

¹ Based on operating segment analysis

SCALING IP INDEPENDENTLY



HY 2019 revenue¹: R953 million

HY 2019 EBITDA¹: R201 million 21%

¹ Based on EOH of tomorrow.

For segment reporting included in 2 Nextec; 3 ICT 4 IP



New EOH leadership:

Megan Pydigadu – CFO

Debbie Millar – Treasury & IR

Fatima Newman – Chief Commercial Officer

Lufuno Nevhutalu – Public sector

Dealt with implicated staff

Key people remain committed

Commitment to King IV and JSE compliance





- ▼ Investigations to be completed by 31 May
- ▼ Findings to be made public
- ▼ 3rd party oversight of public sector bid review process



- ▼ ISO37001 compliance
- ▼ Due diligence
- ▼ Risk assessment
- ▼ New policies



- ▼ Align to King IV, JSE & Companies Act
- ▼ Conflict of interest framework
- ▼ GRC framework defined



- ▼ Assisting with due diligence and internal audit set up

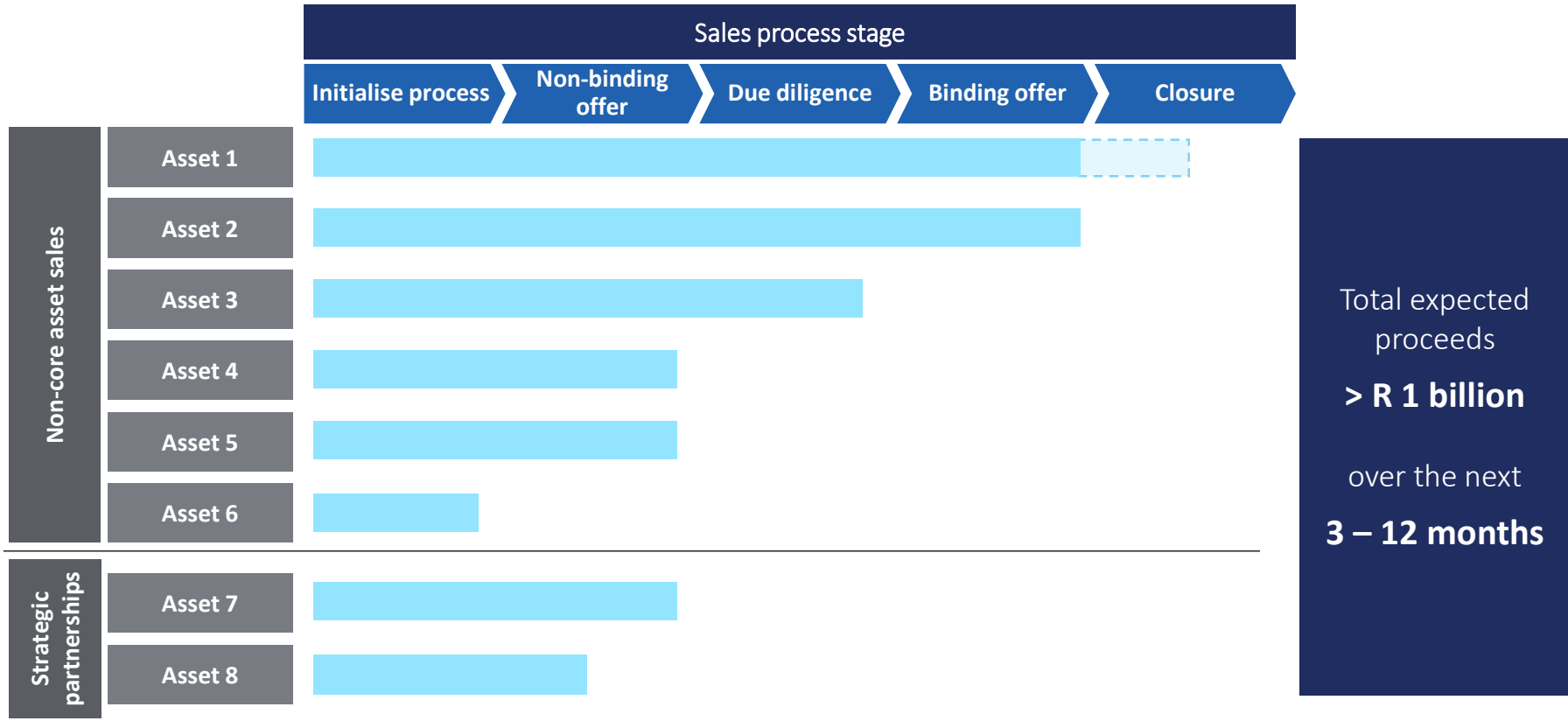


- ▼ Appointed for strategic reorganisation



- ▼ Launched whistleblowing app

FIT FOR PURPOSE CAPITAL STRUCTURE

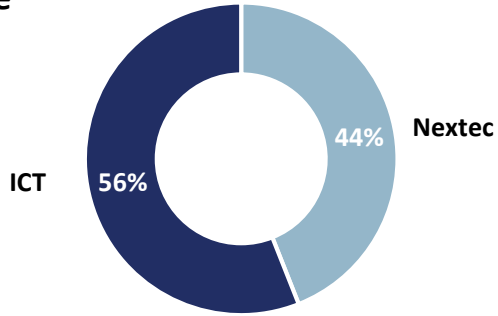


WHAT WOULD THE BUSINESS OF TOMORROW LOOK LIKE TODAY ...

HY Normalised results

HY2019 Revenue

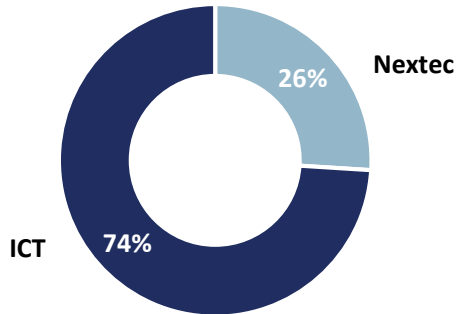
R8,194mn



HY2019 EBITDA²

R387mn

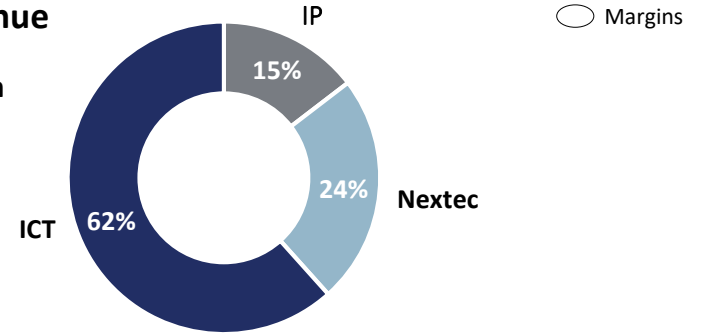
5%



HY Sustainable¹ results

HY2019 Revenue

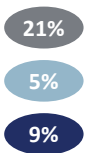
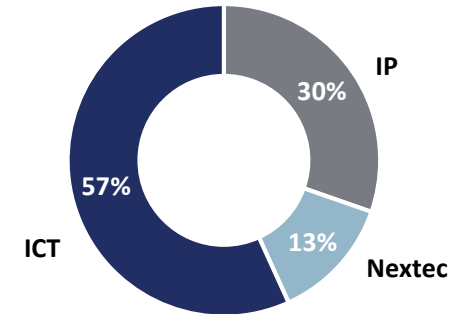
Circa R6,500mn



HY2019 EBITDA²

Circa R600mn

9%



Notes: ¹Excludes non-core. ²Graph excludes Corporate

KEY FEATURES OF THE LAST SIX MONTHS





EOH

Technology makes it possible...
People make it happen

FINANCIAL REVIEW

Megan Pydigadu
Group CFO

OVERVIEW OF THE FIRST 90 DAYS...

**Balance sheet review
a priority**

**Better
team**

**Governance
and compliance**

Cash of c. R1billion

**System and
process overhaul**



BALANCE SHEET REVIEW COMPLETED



Asset

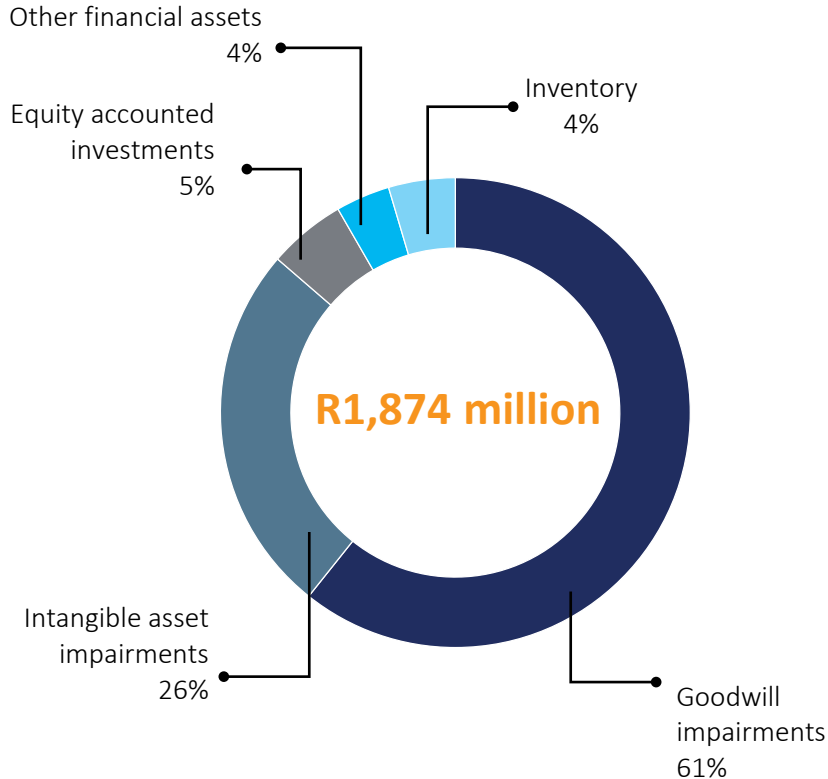
ZAR '000	Unaudited at 31 Jan 2019	Restated unaudited 31 Jul 2018	Diff
PPE	745 823	742 983	2 840
Goodwill	3 185 719	4 255 281	(1 069 562)
Intangible assets	751 922	1 265 220	(513 298)
Equity accounted investments	281 921	530 861	(248 940)
Other financial assets	146 006	534 561	(388 555)
Deferred tax	222 718	327 270	(104 552)
Finance lease receivables	119 081	140 511	(21 430)
Non-current assets	5 453 190	7 796 687	(2 343 497)
Trade and other receivables	4 834 248	5 374 665	(540 417)
Inventories	317 729	431 609	(113 880)
Other current assets	486 864	357 441	129 423
Cash & cash equivalents	957 106	1 418 319	(461 213)
Current assets	6 595 947	7 582 034	(986 087)
Total assets	12 049 137	15 378 721	(3 329 584)

Equity and liabilities

ZAR '000	Unaudited at 31 Jan 2019	Restated unaudited 31 Jul 2018	Diff
Equity	4 574 479	7 461 885	(2 887 406)
Other financial liabilities	2 143 395	3 208 415	(1 065 020)
Finance lease payables	45 613	56 388	(10 775)
Deferred taxation	243 249	388 042	(144 793)
Non-current liabilities	2 432 257	3 652 845	(1 220 588)
Trade and other payables	3 450 960	2 760 283	690 677
Deferred income	266 299	422 937	(156 638)
Other current liabilities	1 325 142	1 080 771	244 371
Current liabilities	5 042 401	4 263 991	778 410
Total equity and liabilities	12 049 137	15 378 721	(3 329 584)

Net asset value of R 4,574 million

NON-CASH IMPAIRMENTS AND WRITE OFFS UNPACKED



- ▶ **Once-off adjustments**
- ▶ **Non-cash flow**
- ▶ **Goodwill impairments R1,138 million**
 - ▼ ICT R311 million
 - ▼ Nextec R827 million
- ▶ **Intangible asset impairments R481 million**
 - ▼ ERP templates in discontinuing ops R265 million
 - ▼ Internally generated payroll and infrastructure management software R108 million
 - ▼ Other internally generated software, customer contracts and customer relationships R108 million
- ▶ **Equity accounted investments R100 million**
 - ▼ Impairment of goodwill in investments
- ▶ **Other financial assets R69 million**
 - ▼ GCT R69 million
- ▶ **Inventory R 86 million**
 - ▼ Write off of licences

IFRS 9 adoption - R211 million

ZAR '000	Provision under IAS39	Provision under IFRS9	Difference to opening equity
Trade receivables	447	574	127
Other financial assets	167	203	36
Contract assets		38	38
Financial lease receivables		10	10
Total	614	825	211

- ▶ Trade receivables and contract assets (unbilled WIP)
 - ▼ Simplified approach to lifetime expected loss
 - ▼ Based on shared credit risk characteristics and days past due
- ▶ Specific provisions also raised
- ▶ Other financial assets carried at amortised cost

Prior year adjustments - R666 million

ZAR '000	31 July 2018	Impairment	Net
GCT other financial assets	424	(124)	300
ZAR '000	31 July 2018	Impairment	Net
TTCS			
Equity accounted investment	453	(291)	162
Other financial assets	87	(43)	44
Trade receivables	424	(208)	216
TTCS total amount	964	(542)	422

- ▶ Impairment provision in terms of IAS39 for other financial assets and trade receivables
- ▶ TTCS impairment was re-evaluated

SEPERATED FROM NORMALISED IN:

Financial report

Operating segments

Business of tomorrow

Assets held for sale

Mehteketo Group
(Nextec)



Discontinuing

Large scale Public Sector
ERP Implementations (ICT)

Electrical infrastructure projects in
water industry (Nextec)



Non-Core

Middle East and
African ERP
implementation
business (ICT/Intl)

Selected BPO
businesses
(Nextec)

Industry, technology related to certain
infrastructure projects (Nextec)

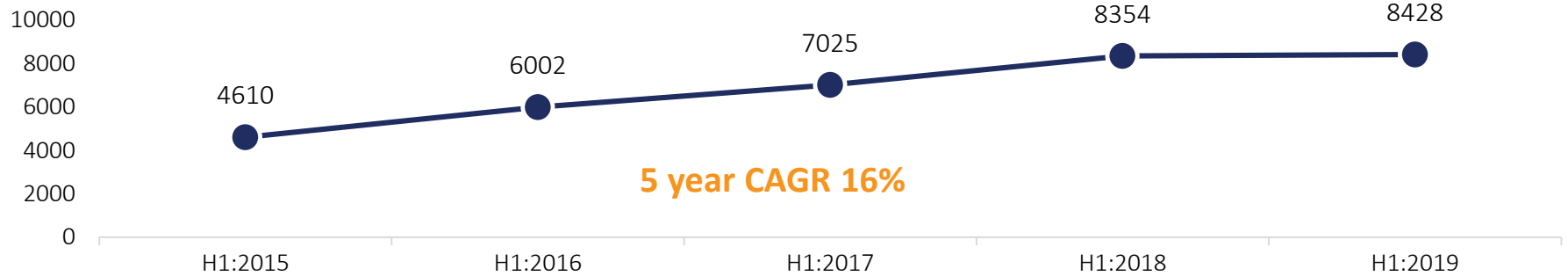
ABRIDGED INCOME STATEMENT



ZAR '000	Unaudited at 31 Jan 2019	Unaudited at 31 Jan 2018	Change
Revenue	8 428 280	8 353 606	74 674
Gross profit	1 667 250	2 682 280	(1 015 030)
<i>Gross profit margin</i>	20%	32%	
Net financial asset impairment losses	(513 986)	(14 524)	(499 462)
Operating expenses	(4 031 562)	(1 883 572)	(2 147 990)
Operating (loss) / profit	(2 878 298)	784 184	(3 662 482)
Loss / Profit from continuing operations	(3 272 341)	463 392	(3 735 733)
Loss from assets held for sale and discontinued operations	(41 194)	(392 450)	351 256
Loss for the period	(3 313 535)	70 942	(3 384 477)
HEPS – from continuing operations (cents)	(973)	314	(1 287)

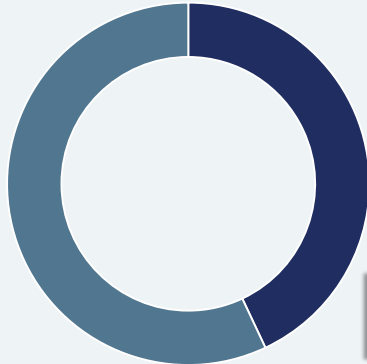
Revenue profile

ZAR 000's



H1:2018

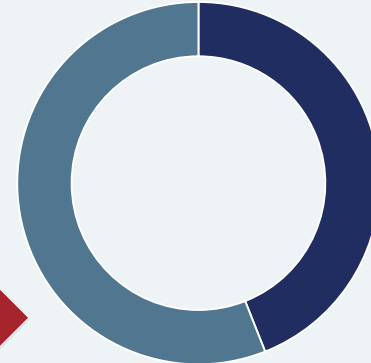
ICT
57%



Nextec
43%

H1:2019

ICT
56%

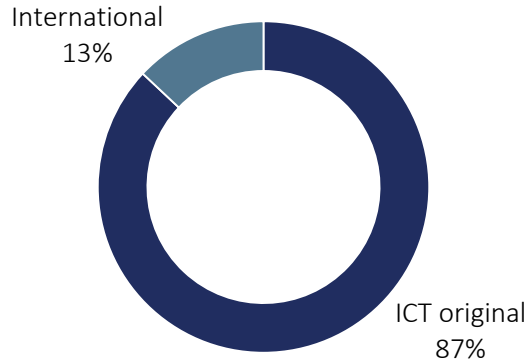


Nextec
44%

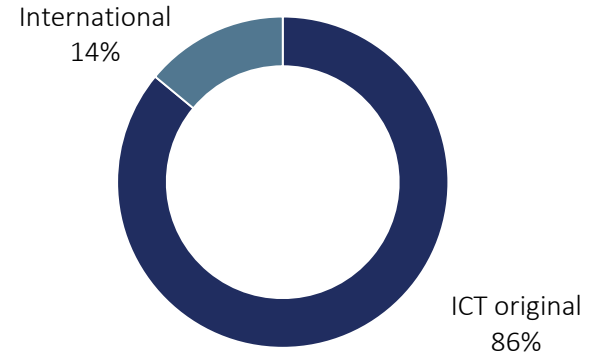
ICT negatively impacted by International
Nextec positively impacted by IP

REVENUE MIX

ICT

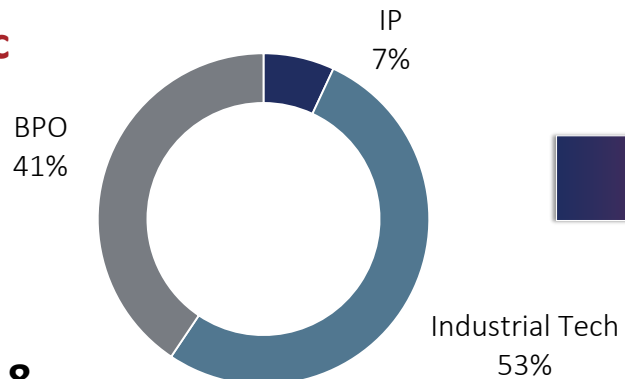


ICT

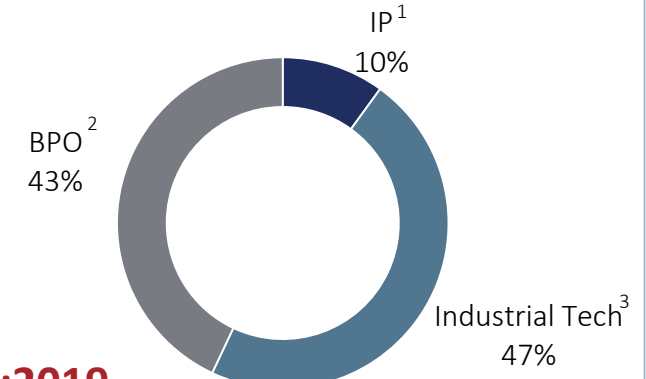


International slow down

Nextec



Nextec



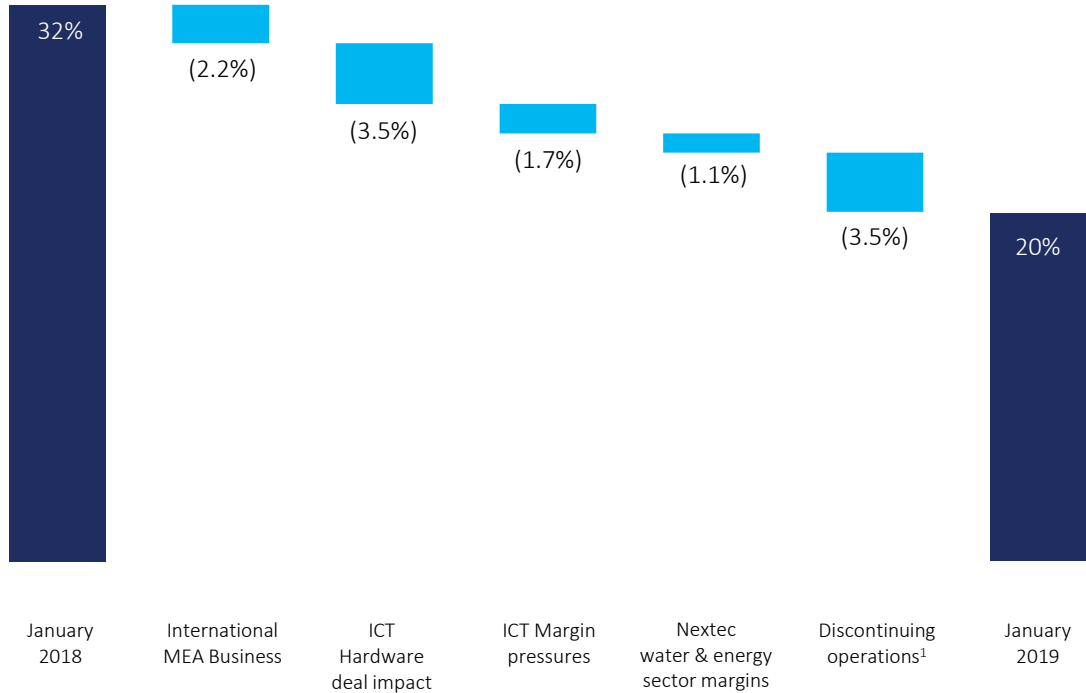
IP growth

H1:2018

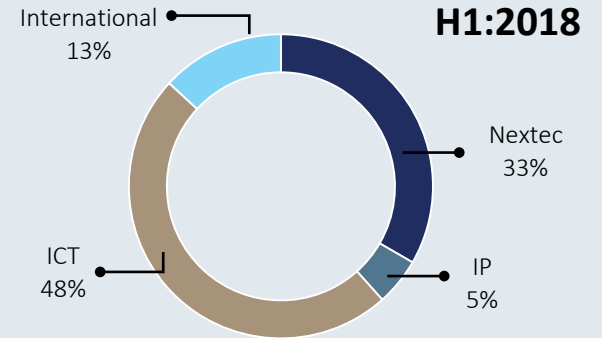
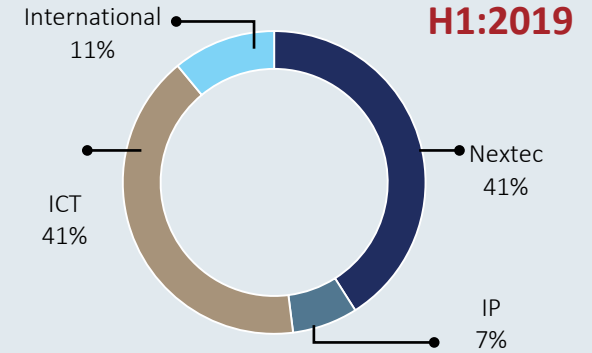
H1:2019

GROSS MARGIN ANALYSIS

Gross Margin



Gross profit contributions

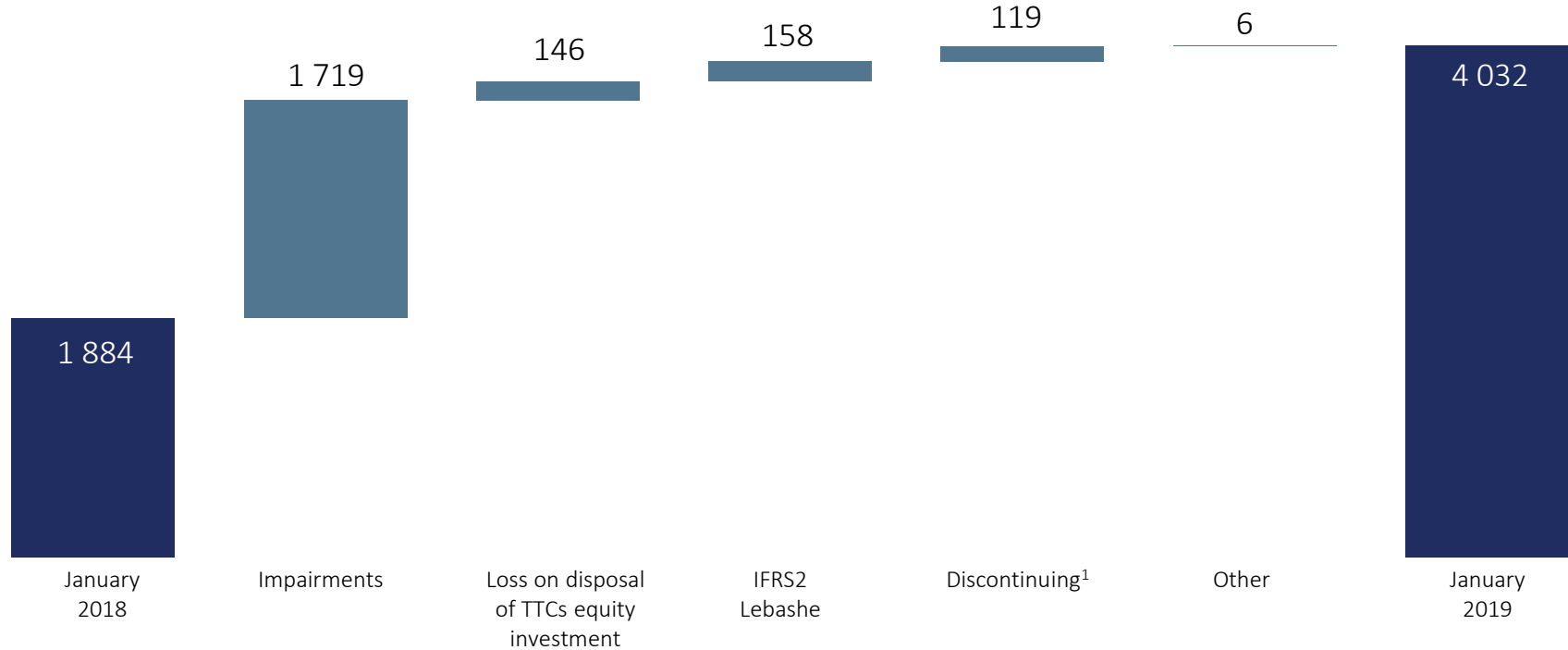


¹ Based on operating segment analysis

OPERATING COST ANALYSIS



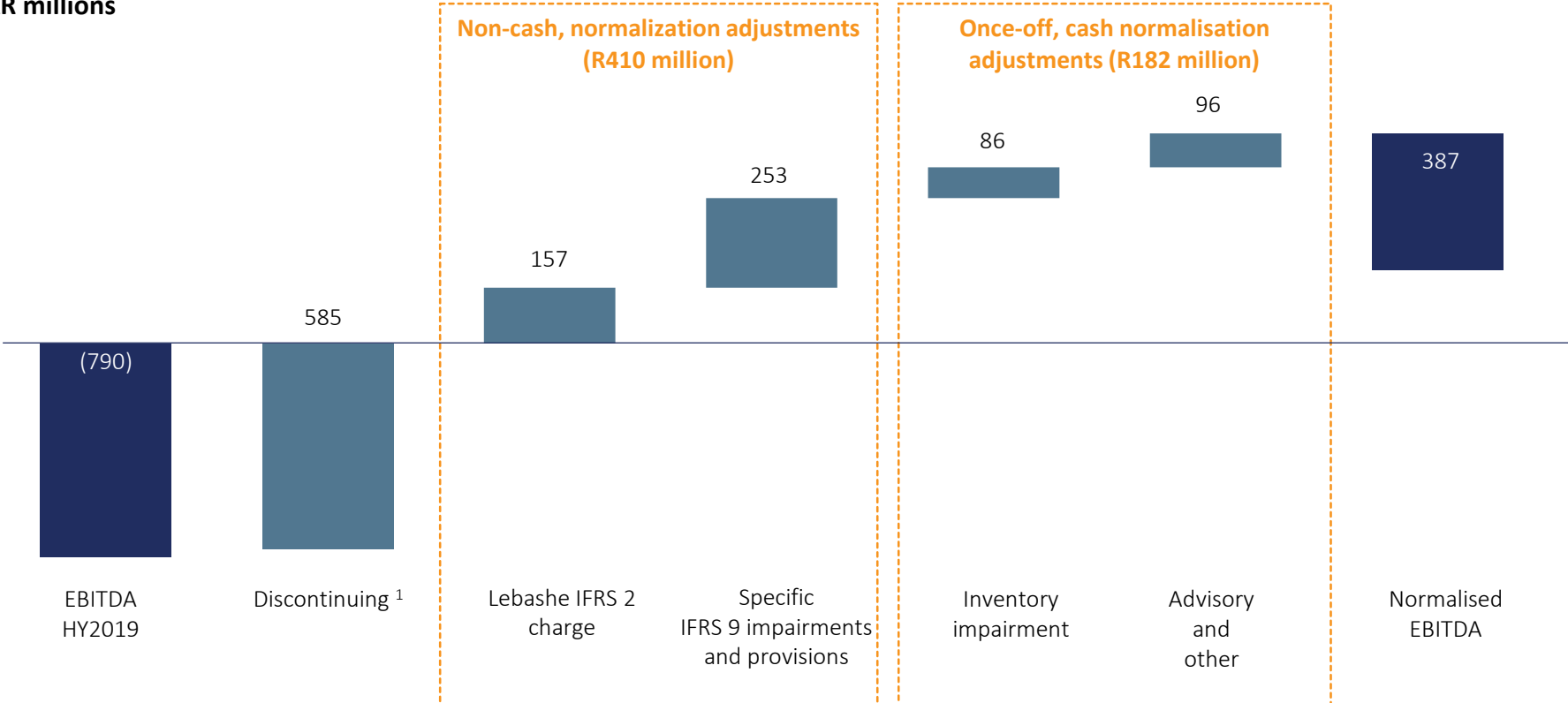
Operating costs ZAR millions



EBITDA BRIDGE BEFORE NON-CORE ADJUSTMENTS

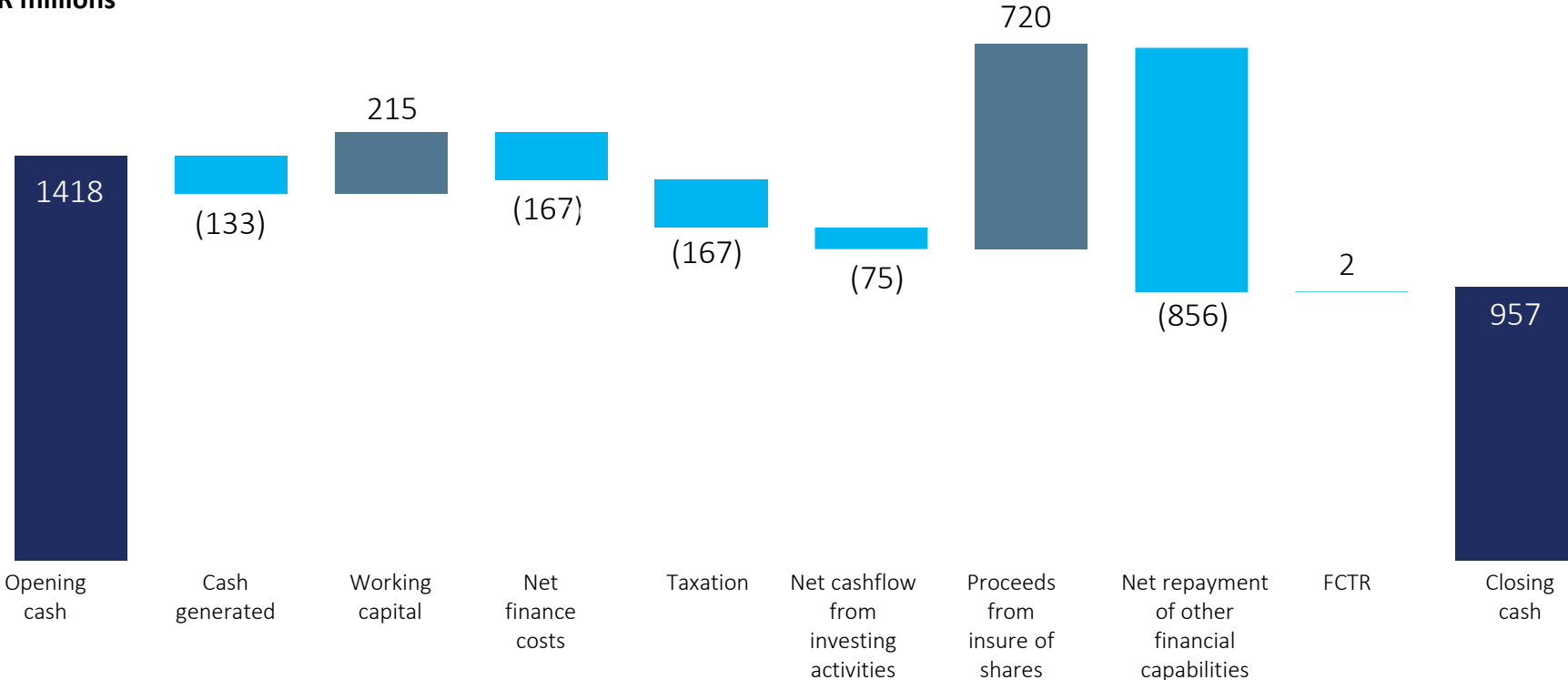


EBITDA bridge
ZAR millions



¹ Based on operating segment analysis

Analysis of use of cash ZAR millions

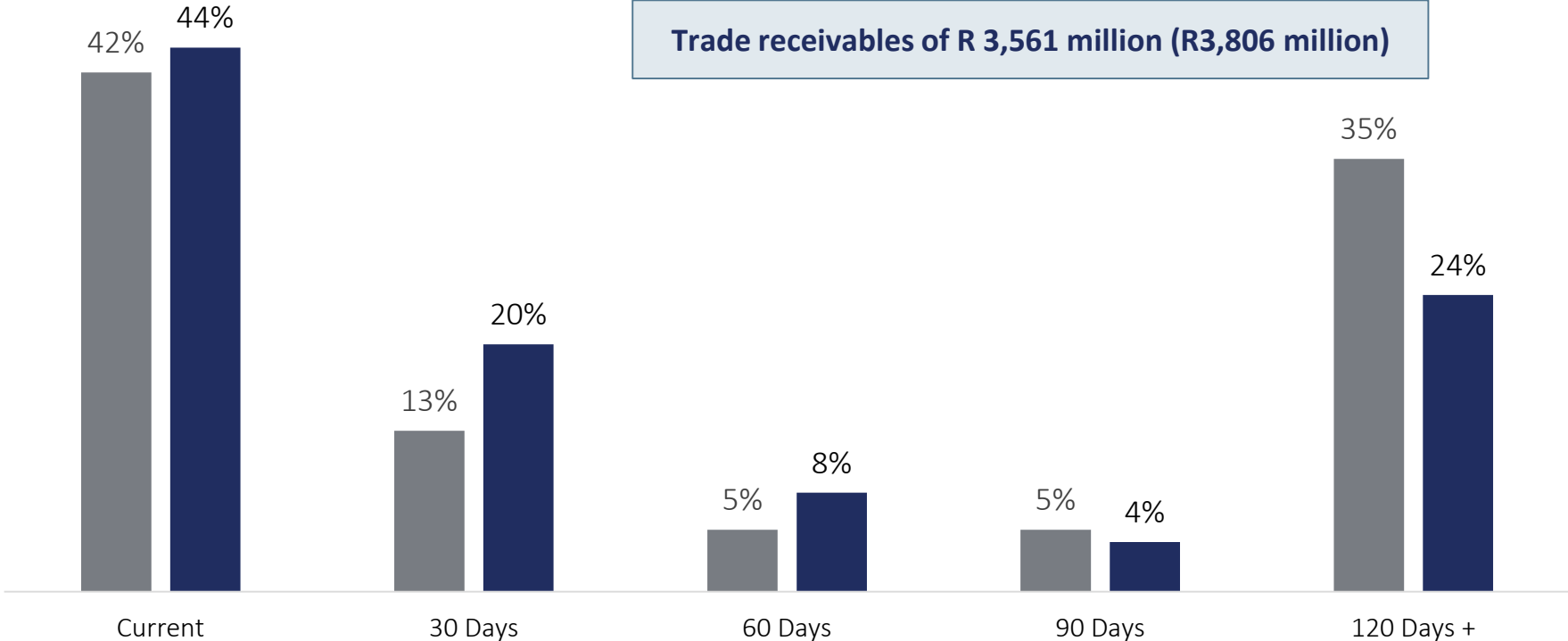


IMPROVED CREDIT POLICIES

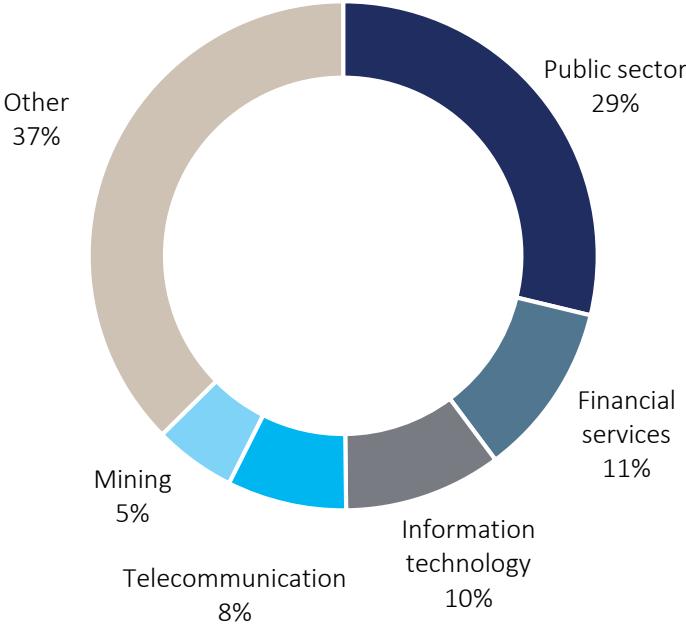


■ 2018 ■ 2019

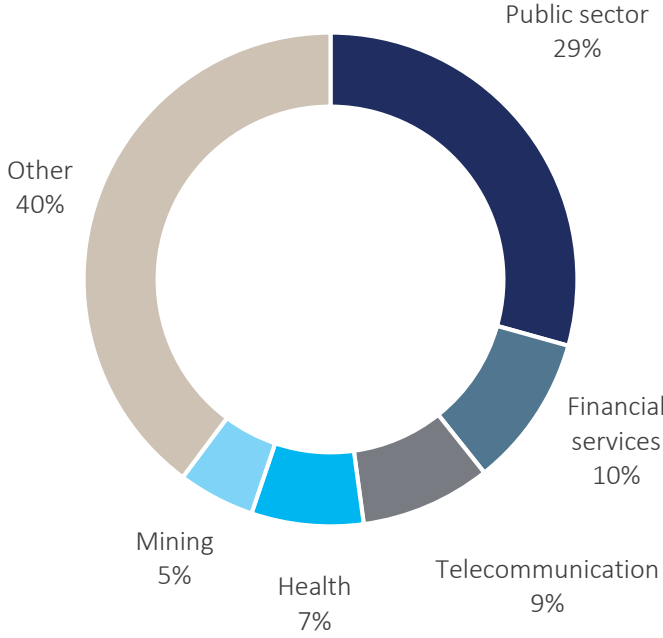
Trade receivables of R 3,561 million (R3,806 million)



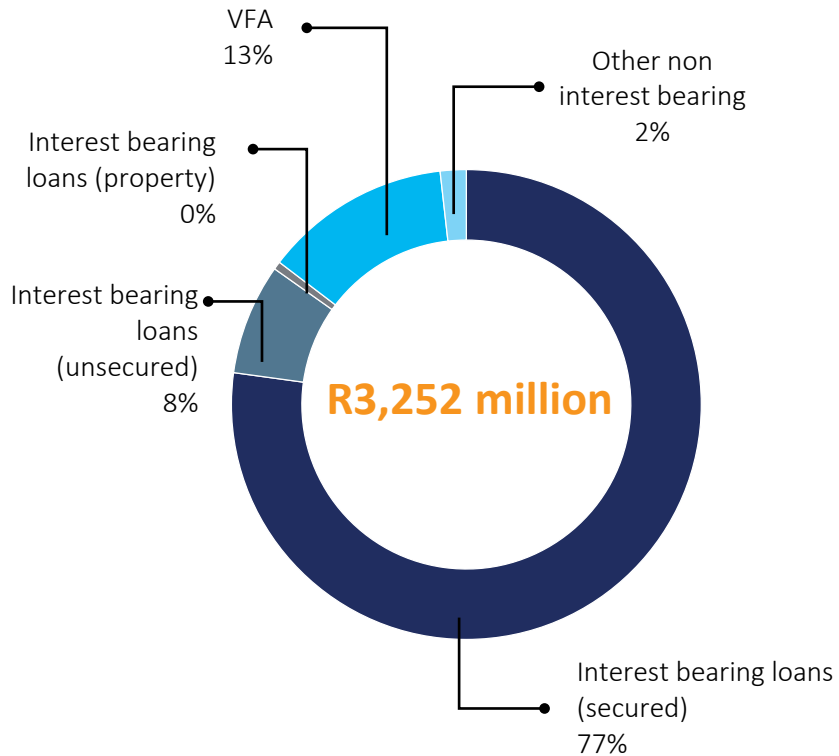
H1 2018



H1 2019



REDUCED GROSS LIABILITIES



- ▶ R852 million reduction in liabilities from R4,104 million at YE
- ▶ Ongoing engagement and support of funders
- ▶ Additional facilities raised during the period to support implementation of a central treasury function
- ▶ Largest portion of debt maturing in 2022
- ▶ Security arrangement through cross guarantee and pledge of assets of larger companies in the group (>80%)
- ▶ Vendor for acquisition (“VFA”) reduction due to payments of approx. R200million in period

NET DEBT ANALYSIS

ZAR '000	31 January 2019	31 January 2018	31 July 2018
Interest bearing liabilities	2 833	3 608	3 469
Cash and cash equivalents	957	1 302	1 418
Net debt	1 876	2 306	2 051
VFA	419	824	634
Net debt including VFA	2 295	3 130	2 685

- ▶ VFA liabilities excluded from gross debt
- ▶ Net debt has been reducing funded in part by equity injections
- ▶ Gross debt lower in current period as cash balances are reduced, R400 million paid into the RCF
- ▶ Ongoing reduction of carry required



Structural improvements

- ▶ Creation of treasury, finance & advisory and tax departments
- ▶ System and process improvements
- ▶ Centralised credit control

Procurement centralisation

- ▶ Ensure greater control and benefit in the purchasing process through collective procurement



Corporatising



Driving efficiencies



Chief Commercial Officer appointment

- ▶ CCO appointment with the role of overseeing risk, compliance, legal and BEE

Property optimisation

- ▶ Realise potential savings through optimising building, rent, parking and ops costs
- ▶ R40m pa to be saved by April 2019 – aim for R100m pa by August 2020





EOH

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LOOKING FORWARD

Stephen van Coller
Group CEO

Clients



Reorganisation



People



Governance



Capital structure

Partners

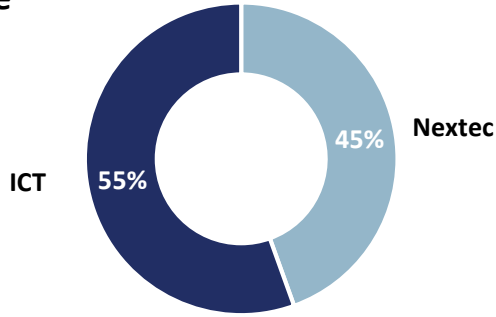


WHAT WOULD THE BUSINESS OF TOMORROW LOOK LIKE TODAY ...

HY Normalised results

HY2019 Revenue

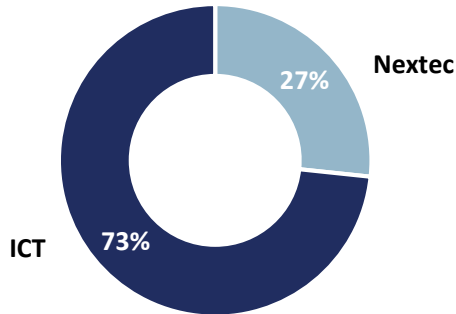
R8,194mn



HY2019 EBITDA²

R387mn

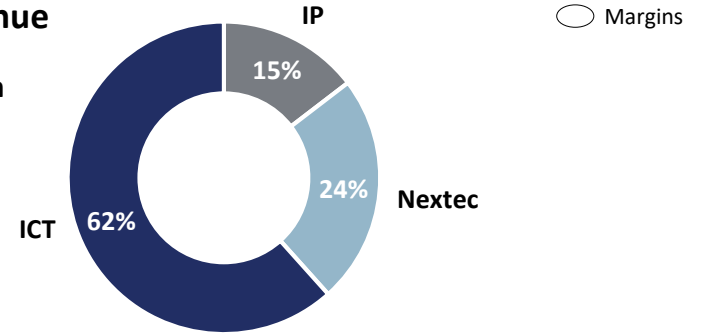
5%



HY Sustainable¹ results

HY2019 Revenue

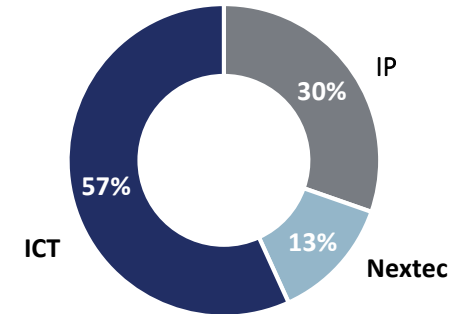
Circa R6,500mn



HY2019 EBITDA²

Circa R600mn

9%



Notes: ¹Excludes non-core. ²Graph excludes Corporate



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Q&A

