Reunert HY 2026 Results

Share Price	R64
Date	26 May 2026

RESULTS SUMMARY

Reunert reported a weaker interim 2026 performance with group revenue increasing 1% to R6.3bn, supported by resilient performances from ICT and Defence. However, operating profit declined 23% to R453m as the Electrical Engineering segment weighed on earnings. Lower infrastructure-related demand reduced South African and Zambian cable volumes, appreciation of the Zambian Kwacha and elevated copper prices impacted profitability during the period. The performance was offset by the Defence cluster which remained operationally strong, with the order book continuing to expand and radar demand remaining robust. ICT delivered resilient earnings supported by stable annuity income streams and improved operational execution.

In the near term, delayed infrastructure investment is expected to continue weighing on Electrical Engineering performance, which will be offset by strong pipeline for circuit breaker sales into the US and the execution of the South African and Zambian cable orders that were delayed. ICT and Applied Electronics are expected to support improved second-half earnings, with Defence Cluster volume growth expected to continue, underpinned by a strong order book and buoyant global demand.

Looking ahead, management remains constructive on the medium-term outlook, citing expected acceleration in South African investment across transmission, rail, and ports. While near-term profitability remains constrained by delayed infrastructure spend, Reunert maintains a strong balance sheet and net cash position. We remain positive on the group's long-term outlook.

OUR LONG-TERM INVESTMENT VIEW

- Reunert is a well-established South African industrial group, listed on the JSE for over a century. Operating across ICT, Applied Electronics, and Electrical Engineering, the company is well-positioned to support and benefit from South Africa's ongoing infrastructure development.
- Within its ICT segment, Reunert's IQbusiness provides critical digital solutions to large corporations, including cloud migration, cybersecurity, and last-mile broadband connectivity — capabilities that are essential to modern enterprise operations.
- Reunert stands to benefit from two powerful structural trends: the global transition to renewable energy and rising defence spending. Through its Applied Electronics division, Reunert builds and operates renewable energy plants (predominantly solar), holds a wheeling license to sell power into South Africa's electrical grid, and produces select defence equipment, including radar systems.
- Reunert is one of the few African manufacturers of the electrical cables necessary for the development and expansion of the electrical grid across the African continent. Locally, the company is well placed to participate in South Africa's Transmission Development Plan, which targets the addition of 14 000km of transmission lines over the next decade.

UNPACKING THE HY 2026 RESULTS

High level numbers

- **Revenue** increased 1% to R6.31bn, supported by resilient performances from ICT and Applied Electronics despite ongoing weakness in SA electrical cables
- **Operating profit** declined 23% to R453m Profitability was adversely impacted by weaker demand from both South African and Zambian infrastructure investment, and the delayed order placement by customers in anticipation

Applied Electronics (16% of revenue)

- Revenue increased 9% to R1.03bn while operating profit +41% to R110m. Profitability was positively driven through improved capacity utilisation, production efficiencies, and effective foreign exchange cover
- The Defence order book strengthened further during the period, supported by strong radar demand and improved export opportunities

of a lower copper price

- **Headline earnings per share (HEPS)** declined 22% to 185 cents per share. HEPS was also impacted by the mark-to-market expense on the Group's ESOP's imminent vesting in 2027 which had 24c impact on earnings
- **Cash flow from operations** declined -5.6% to R485m while free cash flow generation of R214m remained healthy. The balance sheet remained strong, with a net cash position of R383m.

Electrical Engineering (55% of group revenue)

- **Revenue** rose 2% to R3.5bn supported by strong export volumes in the circuit breaker business into Africa and the US. However, performance in the power cable businesses remained under pressure amid weak infrastructure investment in both South Africa and Zambia
- **Operating profit** declined 40% to R126m. Profitability was negatively impacted by lower infrastructure-related demand, adverse product mix effects in Zambia, foreign exchange losses following the appreciation of the Zambian Kwacha, and a sharp increase in copper prices which delayed customer orders

ICT (29% of group revenue)

- **Revenue** increased 2% to R1.9bn while operating profit rose 7% to R316m, supported by resilient annuity income streams and improved operational execution across the segment
- The integration of IQbusiness and +Onex was successfully completed, creating a stronger digital transformation offering. However, enterprise customers continued to delay spending decisions amid macroeconomic and geopolitical uncertainty

Looking ahead

Management remains constructive on the medium-term outlook as progress continues to be made in increasing private sector participation across South Africa's infrastructure sectors, including electricity transmission, rail, ports, and water. While implementation timelines have been slower than anticipated, management expects infrastructure activity to accelerate into 2027 and beyond.

In the near term, delayed infrastructure investment is expected to continue weighing on Electrical Engineering performance, which will be offset by strong pipeline for circuit breaker sales into the US and the execution of the South African and Zambian cable orders that were delayed . ICT and Applied Electronics are expected to support improved second-half earnings, with Defence Cluster volume growth expected to continue, underpinned by a strong order book and buoyant global demand.

While Reunert remains exposed to the timing and pace of customer infrastructure and capital expenditure, we remain constructive on the group's long-term outlook given its strong balance sheet, quality management team, growing defence exposure, and positioning to benefit from a multi-year recovery in South African and regional infrastructure investment.

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