PERSPECTIVE | CE message

The Chief Executive's Perspective

For a long time, we at Altron have been hard pressed to find good news. But we stuck to the path we had chosen and the first positive signs are appearing.

We have asked a lot from our staff, leadership teams and shareholders over the past number of years. As profits decreased and some of the winning horses we backed did not perform to expectations, we asked them to stay the course. Although some chose to invest elsewhere, many decided to take us on our word. It was with these parties in mind that I felt a great sense of pride and gratitude at issuing a trading update in the first week of September. In essence, its message was "we told you so", but in the humblest sense possible.

Turning a group like Altron around is a task that would have challenged Hercules. In fact, there were days when I would gladly have gone out to slay lions or capture boars and bulls, rather than executing our agreed strategy.

Fortunately, however, we persevered and it was a great feeling to inform our shareholders of the progress we are making with the implementation of our new strategic direction.

We have successfully disposed of Altech Autopage Cellular to several of the South African mobile network operators, and sold a majority equity interest in Aberdare Cables to Hengtong. Using the cash generated by these transactions and other smaller disposals, we have reduced our debt by about R1.5 billion. We have restored the Group to profitability, and although more work needs to be done, our outlook is positive.

Our results were further helped by the savings that were realised by consolidating our premises across the country, and our head offices in Gauteng. The relocation of the Altech and Bytes head offices from Woodmead to the Altron head office in Parktown not only saves money, but facilitates interactions at an executive level, improves communication and allows quicker decision making. These intangible benefits will no doubt have a positive bottom line impact in the longer term.

It is a fact, though, that a business can't save and sell itself out of trouble – it has to actively generate cash. The fact that we as a group are doing this again, is a most pleasing development.

Over the first half of the current financial year, our core IT and telecoms businesses have delivered a sterling performance, and we expect our half-year results to be above expectations.

Our non-core businesses, which predominantly operate in the manufacturing sector, have continued to experience difficult trading conditions, but even here the news is not all bad as the benefits of last year's restructuring activities are becoming evident. In particular, Altech UEC is once again generating positive EBITDA, following specific management interventions. As a result, the losses coming from the discontinued operations have been significantly reduced.

The above translates into headline earnings per share for the financial half-year expected to be a profit of at least 1 cent per share. This is a 102% improvement on the loss of 64 cents per share declared halfway through the 2015 financial year.

We must remember, of course, that the numbers could change between now and when we announce our mid-term results in the second half of October, but what we know now, gives us reason to be optimistic that we will exceed and deliver well above expectation.

That doesn't mean our work here is done. Far from it. We must continue to improve and grow our core operations and complete the remaining asset disposals in our non-core operations. Our responsibility remains to get our business back on a path of profitability that is sustainable and future-proof.

To get us there, we need to address three priorities, namely markets, operations and customers.

We are operating in a market that is shifting from products to solution sets, such as cloud services and software as a service. To adjust and thrive, we need to design, develop and commercialise new products and services, and become the disruptors instead of the disrupted.

We also need to identify current partnerships that no longer fit our federated structure and create new original equipment manufacturer (OEM) arrangements that are not necessarily owned and managed by a single business. These include the likes of BT, Nokia, Salesforce and Intel.

In term of operations, we must complete our non-core disposals and maintain the appropriate focus on our core operations.

When it comes to customers, we have to ensure that all our future-focused investments are aligned with our customers' requirements.

The hill remains a steep one, but the taste of success we are getting from our latest available numbers tells us that we can get back to the top.

Thank you all for your support in achieving the much improved numbers for the first six months of this year.

Robbie Venter
Chief Executive
Altron

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